



California Public Utilities Commission

505 Van Ness Avenue, San Francisco, CA 94102

Q&A

NATURAL GAS PRICES ON THE RISE - OCTOBER 2005

The California Public Utilities Commission regulates natural gas utility service for approximately 10.5 million customers that receive natural gas from Pacific Gas and Electric Company (PG&E), Southern California Gas (SoCalGas), San Diego Gas and Electric Company (SDG&E), Southwest Gas, and several smaller natural gas utilities.

The price of natural gas is on the rise, and here are a few questions and answers that help explain what's going on.

Q: Why are natural gas prices rising?

A: Demand for natural gas in the U.S. is increasing, largely due to increased usage for natural gas fired electric generation, while natural gas production rates in the U.S. and Canada are flat or declining.

Q: Were Hurricanes Katrina and Rita contributing factors to the rising prices?

A: Yes, they played a role, but even before these hurricanes natural gas prices had increased significantly. For example, the average August 2004 SoCalGas border price was \$5.37/MMBtu compared to the average August 2005 SoCalGas border price of \$7.88/MMBtu before the hurricanes, or a 47 percent increase.

Q: Don't utilities buy natural gas in advance and store it?

A: The Commission requires that natural gas public utilities purchase natural gas from April to October and inject it into California underground storage fields for availability to meet increased winter residential and commercial natural gas demand for heating needs. This ensures that the utilities can reliably meet peak winter demand requirements and also provides for some economic hedging, as gas that is purchased during these months may be less costly than gas purchased during winter months.

Q: Does the PUC regulate the price of natural gas and how much profit do the utilities make?

A: The PUC does not regulate the commodity price of natural gas. The utilities do not own any natural gas production, and must compete in the national gas market for supplies. They pass on the procurement costs of natural gas to customers.

Tips on lowering your natural gas usage and information on consumer assistance programs approved by the PUC can be found on your utility's website – here are a few:

PG&E: <http://www.pge.com/>

SoCalGas: <http://www.socalgas.com/>

SDG&E: <http://www.sdge.com>

Southwest Gas: <http://www.swgas.com/>